

**REPORT OF THE AUDIT OF THE
TODD COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Arthur Green, Todd County Judge/Executive

Members of the Todd County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Todd County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TODD COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

Peercy and Gray, PSC, PSC has completed the audit of the Todd County Fiscal Court for fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The fiscal court had total net assets of \$3,232,238 as of June 30, 2009. In its governmental activities, the fiscal court had unrestricted net assets of \$394,977 as of June 30, 2009, with total net assets of \$3,228,396. In its business-type activities, total net cash and cash equivalents were \$3,842 with total net assets of \$3,842. The fiscal court had total debt principal as of June 30, 2009 of \$6,891,576 with \$122,436 due within the next year.

Report Comment:

- The Fiscal Court Lacks An Adequate Segregation Of Duties

Deposits:

The fiscal court's deposits were fully insured and collateralized by bank securities.

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PEERCY AND GRAY, PSC

Certified Public Accountants

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Arthur W. Green, Todd County Judge/Executive

Members of the Todd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Todd County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Todd County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Arthur W. Green, Todd County Judge/Executive
Members of the Todd County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Todd County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2009 on our consideration of Todd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Fiscal Court Lacks An Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

October 21, 2009

TODD COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Arthur Green	County Judge/Executive
Roy Addison	Magistrate
Howard Gorrell	Magistrate
Jane Rager	Magistrate
Brent Spurlin	Magistrate
Jimmy Turner	Magistrate

Other Elected Officials:

Harold Mac Johns	County Attorney
Greg Allen	Jailer
Billy Fowler	County Clerk
William Stokes	Sheriff
Perry Stokes	Property Valuation Administrator
Gerald Barnett	Coroner

Appointed Personnel:

Tammy Robertson	County Treasurer
Misty Glover	Finance Officer
Mandy Petrie	Personnel/Payroll Officer
Walton Epley	Road Supervisor
Mandy Petrie	Occupational Tax Administrator
Priscilla Wells	Jail Administrative Assistant/Bookkeeper
Timmy Wells	911 Administrator

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TODD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

TODD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,448,724	\$ 3,842	\$ 1,452,566
Total Current Assets	1,448,724	3,842	1,452,566
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation:			
Land and Land Improvements	746,386		746,386
Construction in Progress	82,533		82,533
Buildings	5,365,081		5,365,081
Vehicles and Equipment	627,687		627,687
Infrastructure	1,849,561		1,849,561
Total Noncurrent Assets	8,671,248		8,671,248
Total Assets	10,119,972	3,842	10,123,814
LIABILITIES			
Current Liabilities:			
Financing Obligations	37,436		37,436
Bonds Payable	85,000		85,000
Total Current Liabilities	122,436		122,436
Noncurrent Liabilities:			
Financing Obligations	2,199,140		2,199,140
Bonds Payable	4,570,000		4,570,000
Total Noncurrent Liabilities	6,769,140		6,769,140
Total Liabilities	6,891,576		6,891,576
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	1,779,672		1,779,672
Restricted For:			
Capital Projects	1,053,747		1,053,747
Unrestricted	394,977	3,842	398,819
Total Net Assets	\$ 3,228,396	\$ 3,842	\$ 3,232,238

The accompanying notes are an integral part of the financial statements.

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TODD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

TODD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,095,791	\$ 4,100	\$ 170,362	\$
Protection to Persons and Property	2,163,309	572,149	1,148,371	
General Health and Sanitation	216,746			
Social Services	5,941			
Recreation and Culture	33,302			
Roads	727,459		208,768	874,317
Interest on Long-term Debt	272,050			
Capital Projects	165,017			
Total Governmental Activities	4,679,615	576,249	1,527,501	874,317
Business-type Activities:				
Jail Canteen	8,217			
Total Business-type Activities	8,217			
Total Primary Government	\$ 4,687,832	\$ 576,249	\$ 1,527,501	\$ 874,317

General Revenues:

Taxes:

Real Property Taxes

Motor Vehicle Taxes

Occupational Tax

Net Profit Tax

Other Taxes

Telephone E-911 Surcharge

In Lieu Tax Payments

Excess Fees

License and Permits

Interest

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

TODD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (921,329)	\$	\$ (921,329)
(442,789)		(442,789)
(216,746)		(216,746)
(5,941)		(5,941)
(33,302)		(33,302)
355,626		355,626
(272,050)		(272,050)
(165,017)		(165,017)
(1,701,548)		(1,701,548)
	(8,217)	(8,217)
	(8,217)	(8,217)
(1,701,548)	(8,217)	(1,709,765)
339,013		339,013
52,332		52,332
476,759		476,759
170,951		170,951
274,780		274,780
119,557		119,557
182,475		182,475
63,046		63,046
50,685		50,685
27,730		27,730
75,567	10,125	85,692
1,832,895	10,125	1,843,020
131,347	1,908	133,255
3,097,049	1,934	3,098,983
\$ 3,228,396	\$ 3,842	\$ 3,232,238

The accompanying notes are an integral part of the financial statements.

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TODD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009

TODD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Ambulance Fund	Jail Fund
ASSETS				
Cash and Cash Equivalents	\$ 55,601	\$ 253,719	\$ 18,057	\$ 21,480
Total Assets	<u>\$ 55,601</u>	<u>\$ 253,719</u>	<u>\$ 18,057</u>	<u>\$ 21,480</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$	\$ 2,132	\$	\$
Unreserved:				
General Fund	55,601			
Special Revenue Funds		251,587	18,057	21,480
Capital Projects Fund				
Total Fund Balances	<u>\$ 55,601</u>	<u>\$ 253,719</u>	<u>\$ 18,057</u>	<u>\$ 21,480</u>

The accompanying notes are an integral part of the financial statements.

TODD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

Jail Bond and Lease Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>\$ 1,053,747</u>	<u>\$ 46,120</u>	<u>\$ 1,448,724</u>
<u>\$ 1,053,747</u>	<u>\$ 46,120</u>	<u>\$ 1,448,724</u>
\$	\$	\$ 2,132
		55,601
	46,120	337,244
<u>1,053,747</u>		<u>1,053,747</u>
<u>\$ 1,053,747</u>	<u>\$ 46,120</u>	<u>\$ 1,448,724</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,448,724
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	11,748,037
Accumulated Depreciation	(3,076,789)
Debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,236,576)
General Obligation Bonds	<u>(4,655,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,228,396</u>

The accompanying notes are an integral part of the financial statements.

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TODD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

TODD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Ambulance Fund	Jail Fund
REVENUES				
Taxes	\$ 1,294,455	\$	\$	\$
In Lieu Tax Payments	182,475			
Excess Fees	63,046			
Licenses and Permits	6,027			
Intergovernmental	170,362	1,083,085	128,872	893,164
Charges for Services	4,100		495,029	16,335
Miscellaneous	13,677	24,429	573	34,318
Interest	16,331			
Total Revenues	<u>1,750,473</u>	<u>1,107,514</u>	<u>624,474</u>	<u>943,817</u>
EXPENDITURES				
General Government	494,585	27,045		
Protection to Persons and Property	22,741		570,187	1,238,555
General Health and Sanitation	19,267			
Social Services	5,941			
Recreation and Culture	31,982			
Roads		1,177,873		
Debt Service	313,028		13,246	11,673
Capital Projects	41,056			
Administration	153,547	153,265	91,393	246,099
Total Expenditures	<u>1,082,147</u>	<u>1,358,183</u>	<u>674,826</u>	<u>1,496,327</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>668,326</u>	<u>(250,669)</u>	<u>(50,352)</u>	<u>(552,510)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds				
Line of Credit	295,000			
Transfers From Other Funds	98,006		60,000	872,000
Transfers To Other Funds	(1,023,500)	(71,214)		(300,210)
Total Other Financing Sources (Uses)	<u>(630,494)</u>	<u>(71,214)</u>	<u>60,000</u>	<u>571,790</u>
Special Items				
Proceeds From Sale Of Assets Held For Resale				
Total Special Items				
Net Change in Fund Balances	37,832	(321,883)	9,648	19,280
Fund Balances - Beginning	17,769	575,602	8,409	2,200
Fund Balances - Ending	<u>\$ 55,601</u>	<u>\$ 253,719</u>	<u>\$ 18,057</u>	<u>\$ 21,480</u>

The accompanying notes are an integral part of the financial statements.

TODD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Jail Bond and Lease Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 138,937	\$ 1,433,392
		182,475
		63,046
	44,658	50,685
	126,335	2,401,818
	60,785	576,249
	2,570	75,567
11,399		27,730
11,399	373,285	4,810,962
		521,630
	176,302	2,007,785
	161,223	180,490
		5,941
		31,982
		1,177,873
333,928	133,181	805,056
652,533	123,961	817,550
7	72,122	716,433
986,468	666,789	6,264,740
(975,069)	(293,504)	(1,453,778)
1,755,000	123,851	1,878,851
		295,000
300,210	91,500	1,421,716
(26,792)		(1,421,716)
2,028,418	215,351	2,173,851
	104,550	104,550
	104,550	104,550
1,053,349	26,397	824,623
398	19,723	624,101
\$ 1,053,747	\$ 46,120	\$ 1,448,724

The accompanying notes are an integral part of the financial statements.

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TODD COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

TODD COUNTY
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$	824,623
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		1,643,679
Depreciation Expense		(588,220)
Disposal Of Asset Held For Resale Sold		(115,823)

The issuance of short-term and long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. While the repayment of principal on short-term and long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets.

Line-of-Credit Proceeds		(295,000)
Line-of-Credit Principal Payments		295,000
Financing Obligation Proceeds		(1,878,851)
Financing Obligations Principal Payments		245,939

Change in Net Assets of Governmental Activities	\$	<u>131,347</u>
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The accompanying notes are an integral part of the financial statements.

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TODD COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS
June 30, 2009

TODD COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 3,842
Total Current Assets	<u>3,842</u>
 Total Assets	 <u>3,842</u>
 Net Assets	
Unrestricted	3,842
Total Net Assets	<u><u>\$ 3,842</u></u>

The accompanying notes are an integral part of the financial statements.

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TODD COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

TODD COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$
Other Receipts	<u>10,125</u>
Total Operating Revenues	<u>10,125</u>
 Operating Expenses	
Educational and Recreational	2,509
Miscellaneous	<u>5,708</u>
Total Operating Expenses	<u>8,217</u>
Operating Income	<u>1,908</u>
 Change In Net Assets	1,908
 Total Net Assets - Beginning	<u>1,934</u>
Total Net Assets - Ending	<u><u>\$ 3,842</u></u>

The accompanying notes are an integral part of the financial statements.

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TODD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

TODD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$
Other Receipts	10,125
Payment to Suppliers	(8,217)
Net Cash Provided By Operating Activities	<u>1,908</u>
Net Decrease in Cash and Cash Equivalents	1,908
Cash and Cash Equivalents - July 1, 2008	<u>1,934</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 3,842</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	<u>\$ 1,908</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,908</u></u>

The accompanying notes are an integral part of the financial statements.

TODD COUNTY
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2009

**TODD COUNTY
STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2009

	<u>Agency Fund</u>
	Jail Inmate Account
	<u> </u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 14,286
Total Assets	<u> 14,286</u>
Liabilities	
Amounts Held In Custody For Others	<u> 14,286</u>
Total Liabilities	<u> 14,286</u>
Net Assets	
Total Net Assets	<u><u> \$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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TODD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Todd County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. Based upon the application of GASB 14, there are no component units which merit consideration as part of the reporting entity.

C. Todd County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Todd County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Todd County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County does not have any fiduciary funds.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; and 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - The primary purpose of this fund is to account for the ambulance expenditures of the county. The primary source of revenues is ambulance fees.

Jail Bond and Lease Fund - The primary purpose of this fund is to account for the expenditures of the renovation of the jail building and for the debt service payments on the jail.

The primary government also has the following nonmajor funds: Local Government Economic Assistance Fund, Timberland Tax Fund, Solid Waste Fund, Dispatch Fund, Emergency Operations Center Construction Fund, and Clifty School Park Project Fund.

Special Revenue Funds:

The Road Fund, Ambulance Fund, Jail Fund, Local Government Economic Assistance Fund, Timberland Tax Fund, Solid Waste Fund, and Dispatch Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Jail Bond and Lease Fund, Emergency Operations Center Construction Fund, and Clifty School Park Project Fund are presented as capital projects funds. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Fund

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus. The primary government reports the following fiduciary fund:

Jail Inmate Account Fund - This fund accounts for funds received from inmates after incarceration.

E. Deposits

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent the fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organization and Jointly Governed Organization

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Todd County Water District and Todd County Airport Board are considered related organizations of the Todd County Fiscal Court.

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale				
Vehicles	\$ 115,823	\$	\$ (115,823)	\$
Total Assets Held For Resale	\$ 115,823	\$	\$ (115,823)	\$

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 176,386	\$ 570,000	\$	\$ 746,386
Construction in Progress		82,533		82,533
Total Capital Assets Not Being Depreciated	176,386	652,533		828,919
Capital Assets, Being Depreciated:				
Buildings	\$ 6,245,588			\$ 6,245,588
Vehicles and Equipment	1,886,017	241,029		2,127,046
Infrastructure	1,796,367	750,117		2,546,484
Total Capital Assets Being Depreciated	9,927,972	991,146		10,919,118
Less Accumulated Depreciation For:				
Buildings	(781,159)	(99,348)		(880,507)
Vehicles and Equipment	(1,256,552)	(242,807)		(1,499,359)
Infrastructure	(450,858)	(246,065)		(696,923)
Total Accumulated Depreciation	(2,488,569)	(588,220)		(3,076,789)
Total Capital Assets, Being Depreciated, Net	7,439,403	402,926		7,842,329
Governmental Activities Capital Assets, Net	\$ 7,615,789	\$ 1,055,459	\$	\$ 8,671,248

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 51,029
Protection to Persons and Property	196,185
General Health and Sanitation	24,983
Recreation and Culture	1,320
Roads, including Depreciation of General Infrastructure Assets	314,703
Total Depreciation Expense - Governmental Activities	<u>\$ 588,220</u>

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Short-term Debt - Financing Obligations

A. Mack Truck

On November 2, 2007, the county entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$115,823, with principal being due on November 20, 2008. The interest rate was 4.390%. The Fiscal Court used borrowed funds to purchase a Mack truck for the solid waste department. The total principal balance of the agreement was \$0 as of June 30, 2009.

B. Changes In Short-term Debt

Short-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Financing Obligations	\$ 115,823	\$	\$ 115,823	\$	\$
Governmental Activities					
Short-term Liabilities	\$ 115,823	\$	\$ 115,823	\$	\$

Note 6. Long-term Debt

A. Jail Financing Obligation

The county entered into a financing obligation with the Kentucky Association of Counties Leasing Trust for construction on the Todd County Jail. The agreement requires monthly interest payments and a semi-annual principal payment on January 20 of each year through 2011.

The county refinanced this agreement on May 7, 2001 at a lower interest rate of 4.596%. The principal balance of the obligation was \$21,000 as of June 30, 2009. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 10,000	\$ 831
2011	11,000	316
Totals	\$ 21,000	\$ 1,147

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

B. HVAC Equipment Financing Obligation

The County entered into a financing obligation with the Kentucky Association of Leasing Trust for HVAC equipment. The agreement requires monthly interest payment and an annual principal payment. The total amount of principal was \$43,300. The principal balance of the obligation as of June 30, 2009, was \$0.

C. Emergency Operations Center Financing Obligation

The county entered into a financing obligation with the Kentucky Area Development District Leasing Trust for improvements and construction to the emergency operations center. The agreement requires annual principal payments and semi-annual interest payments. The total amount of principal was \$350,000. The principal balance of the obligation as of June 30, 2009, was \$320,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 15,000	\$ 16,070
2011	15,000	15,371
2012	15,000	14,672
2013	15,000	13,973
2014	15,000	13,254
2015-2019	85,000	55,525
2020-2024	110,000	32,250
2025-2029	50,000	4,758
	<u>\$ 320,000</u>	<u>\$ 165,873</u>

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

D. Jail Renovation General Obligation Bonds

The County issued \$4,320,000 General Obligation Improvement Bonds dated February 16, 2006, for the renovation and construction of a jail. Principal payments are due each year on February 1 beginning February 1, 2008 with the final payment being due on February 1, 2038. Interest on the bonds is calculated at 4.50% and is payable each August 1 and February 1, and begins on August 1, 2006. The principal balance outstanding for the bond issue as of June 30, 2009 was \$4,185,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 70,000	\$ 188,325
2011	75,000	185,175
2012	75,000	181,800
2013	80,000	178,425
2014	85,000	174,825
2015-2019	475,000	814,500
2020-2024	600,000	696,375
2025-2029	765,000	547,650
2030-2034	975,000	357,750
2035-2038	985,000	113,400
	<u>\$ 4,185,000</u>	<u>\$ 3,438,225</u>

E. Jail Renovation and Addition Bonds

The county issued bonds through the Kentucky Public Agency Development Lease Certificates of Participation for renovation and addition to the jail. The agreement requires annual principal payments and semi-annual interest payments. The total amount of principal was \$500,000. The principal balance of the bond issue as of June 30, 2009, was \$470,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 15,000	\$ 22,810
2011	20,000	22,195
2012	20,000	21,345
2013	20,000	20,465
2014	20,000	19,565
2015-2019	115,000	83,335
2020-2024	150,000	51,845
2025-2029	110,000	11,475
	<u>\$ 470,000</u>	<u>\$ 253,035</u>

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

F. Ambulance Equipment Financing Obligation

The County entered into a financing obligation with the Leasing One Corp for an Ambulance. The agreement requires 36 monthly interest and principal payments. The total amount of principal was \$35,936. The principal balance of the obligation as of June 30, 2009, was \$16,725. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest & Fees</u>
2010	\$ 12,436	\$ 512
2011	4,289	1,106
	<u>\$ 16,725</u>	<u>\$ 1,618</u>

G. Solid Waste Truck Financing Obligation

The County entered into a financing obligation with the Kentucky Association of Leasing Trust for a solid waste truck. The agreement requires monthly interest payment and an annual principal payment. The total amount of principal was \$123,851. The principal balance of the obligation as of June 30, 2009, was \$123,851. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest & Fees</u>
2010	\$	\$ 4,611
2011	30,000	4,307
2012	30,000	3,184
2013	30,000	2,065
2014	33,851	755
	<u>\$ 123,851</u>	<u>\$ 14,922</u>

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Long-term Debt (Continued)

H. Judicial Center Financing Obligation

The County entered into a financing obligation with the Kentucky Association of Leasing Trust in connection with the construction of the judicial center. The agreement requires monthly interest payment and an annual principal payment. The total amount of principal was \$1,755,000. The principal balance of the obligation as of June 30, 2009, was \$1,755,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 45,000	\$ 62,736
2011	70,000	62,375
2012	70,000	59,983
2013	75,000	57,224
2014	75,000	54,479
2015-2019	425,000	228,154
2020-2024	510,000	143,328
2025-2029	485,000	41,147
	<u>\$ 1,755,000</u>	<u>\$ 709,426</u>

I. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Financing Obligations	\$ 402,841	\$1,878,851	\$ 45,116	\$ 2,236,576	\$ 37,436
Bonds	4,740,000		85,000	4,655,000	85,000
Governmental Activities					
Long-term Liabilities	<u>\$ 5,142,841</u>	<u>\$1,878,851</u>	<u>\$ 130,116</u>	<u>\$ 6,891,576</u>	<u>\$ 122,436</u>

Note 7. Line of Credit

TODD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

On June 12, 2008, the Todd Fiscal Court approved a line of credit with United Southern Bank. The Todd County Fiscal Court borrowed and repaid \$295,000 during fiscal year ended June 30, 2009. The principal balance of the line of credit as of June 30, 2009, was \$0.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 9. Insurance

For the fiscal year ended June 30, 2009, Todd County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Subsequent Event

During fiscal year ended June 30, 2009, Todd Fiscal Court acquired the land for the construction of a new Judicial Center. As of the end of fieldwork, Todd Fiscal Court has not issued any bonds nor started construction on the judicial center.

TODD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

TODD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,213,900	\$ 1,216,142	\$ 1,294,455	\$ 78,313
In Lieu Tax Payments	162,000	162,000	182,475	20,475
Excess Fees	28,000	28,000	63,046	35,046
Licenses and Permits	8,500	8,500	6,027	(2,473)
Intergovernmental Revenue	131,000	131,000	170,362	39,362
Charges for Services	4,200	4,200	4,100	(100)
Miscellaneous	39,000	39,000	40,469	1,469
Interest	30,000	30,000	16,331	(13,669)
Total Revenues	1,616,600	1,618,842	1,777,265	158,423
EXPENDITURES				
General Government	571,562	498,286	494,585	3,701
Protection to Persons and Property	7,300	22,743	22,741	2
General Health and Sanitation	18,100	19,910	19,267	643
Social Services	4,200	5,943	5,941	2
Recreation and Culture	42,000	31,983	31,982	1
Debt Service	513,700	313,075	313,028	47
Capital Projects	20,000	41,145	41,056	89
Administration	169,938	156,662	153,547	3,115
Total Expenditures	1,346,800	1,089,747	1,082,147	7,600
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	269,800	529,095	695,118	166,023
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	71,214	71,214	98,006	26,792
Transfers To Other Funds	(841,014)	(841,014)	(1,023,500)	(182,486)
Line of Credit	500,000	500,000	295,000	(205,000)
Total Other Financing Sources (Uses)	(269,800)	(269,800)	(630,494)	(360,694)
Net Changes in Fund Balances		259,295	64,624	(194,671)
Fund Balances - Beginning			17,769	17,769
Fund Balances - Ending	\$ 0	\$ 259,295	\$ 82,393	\$ (176,902)

**Reconciliation of the Budgetary Comparison Schedule to
Statement of Revenues, Expenditures, and Changes In Fund Balance**

	<u>Revenues</u>
Total - Budgetary Comparison Schedule	\$ 1,777,265
Transfers From Other Funds	<u>(26,792)</u>
Total - Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 1,750,473</u>

TODD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,088,779	\$ 1,088,779	\$ 1,083,085	\$ (5,694)
Miscellaneous	7,000	7,000	24,429	17,429
Interest Earned	5,000	5,000	-	(5,000)
Total Revenues	1,100,779	1,100,779	1,107,514	6,735
EXPENDITURES				
General	31,800	31,800	27,045	4,755
Roads	1,309,200	1,658,200	1,177,873	480,327
Administration	191,700	193,750	153,265	40,485
Total Expenditures	1,532,700	1,883,750	1,358,183	525,567
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(431,921)	(782,971)	(250,669)	532,302
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(71,214)	(71,214)	(71,214)	
Total Other Financing Sources (Uses)	(71,214)	(71,214)	(71,214)	
Net Changes in Fund Balances	(503,135)	(854,185)	(321,883)	532,302
Fund Balances - Beginning	503,135	853,135	575,602	(277,533)
Fund Balances - Ending	\$ 0	\$ (1,050)	\$ 253,719	\$ 254,769

TODD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 10,500	\$ 129,203	\$ 128,872	\$ (331)
Charges for Services	465,000	465,000	495,029	30,029
Miscellaneous	500	500	573	73
Total Revenues	476,000	594,703	624,474	29,771
EXPENDITURES				
Protection to Persons and Property	482,900	603,603	570,187	33,416
Debt Service	13,400	13,400	13,246	154
Administration	89,000	110,960	91,393	19,567
Total Expenditures	585,300	727,963	674,826	53,137
Excess (Deficiency) of Revenues				
Over Expenditures Before Other	(109,300)	(133,260)	(50,352)	82,908
Financing Sources (Uses)				
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	109,300	109,300	60,000	(49,300)
Total Other Financing Sources (Uses)	109,300	109,300	60,000	(49,300)
Net Changes in Fund Balances		(23,960)	9,648	33,608
Fund Balances - Beginning			8,409	8,409
Fund Balances - Ending	\$ 0	\$ (23,960)	\$ 18,057	\$ 42,017

TODD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 988,400	\$ 988,400	\$ 893,164	\$ (95,236)
Charges for Services	10,000	10,000	16,335	6,335
Miscellaneous	27,400	27,400	34,317	6,917
Total Revenues	1,025,800	1,025,800	943,816	(81,984)
EXPENDITURES				
Protection to Persons and Property	1,055,564	1,245,364	1,238,555	6,809
Debt Service	312,500	311,950	311,883	67
Administration	223,600	250,700	246,099	4,601
Total Expenditures	1,591,664	1,808,014	1,796,537	11,477
Excess (Deficiency) of Revenues				
Over Expenditures Before Other Financing Sources (Uses)	(565,864)	(782,214)	(852,721)	(70,507)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	565,864	565,864	872,000	306,136
Total Other Financing Sources (Uses)	565,864	565,864	872,000	306,136
Net Changes in Fund Balances		(216,350)	19,279	235,629
Fund Balances - Beginning			2,200	2,200
Fund Balances - Ending	\$ 0	\$ (216,350)	\$ 21,479	\$ 237,829
Reconciliation of the Budgetary Comparison Schedule to Statement of Revenues, Expenditures, and Changes In Fund Balance				
			Expenditures	
Total - Budgetary Comparison Schedule			\$ 1,796,537	
Transfers Out			(300,210)	
Total - Statement of Revenues, Expenditures, and Changes in Fund Balances			\$ 1,496,327	

TODD COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

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**TODD COUNTY
COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2009

TODD COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2009

	Local Government Economic Assistance Fund	Timberland Tax Fund	Solid Waste Fund	Dispatch Fund	Emergency Operations Center Construction Fund
ASSETS					
Cash and Cash Equivalents	\$ 8,703	\$ 2,695	\$ 12,884	\$ 21,838	\$
Total Assets	<u>\$ 8,703</u>	<u>\$ 2,695</u>	<u>\$ 12,884</u>	<u>\$ 21,838</u>	<u>\$</u>
FUND BALANCES					
Unreserved:					
Special Revenue Funds	\$ 8,703	\$ 2,695	\$ 12,884	\$ 21,838	\$
Total Fund Balances	<u>\$ 8,703</u>	<u>\$ 2,695</u>	<u>\$ 12,884</u>	<u>\$ 21,838</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements

TODD COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009
(Continued)

Clifty School Park Project Fund	Total Non-Major Governmental Funds
<u>\$</u>	<u>\$ 46,120</u>
<u>\$</u>	<u>\$ 46,120</u>
 <u>\$</u>	 <u>\$ 46,120</u>
 <u>\$</u>	 <u>\$ 46,120</u>

The accompanying notes are an integral part of the financial statements

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TODD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

TODD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Timberland Tax Fund	Solid Waste Fund	Dispatch Fund
REVENUES				
Taxes	\$	\$ 1,329	\$ 18,051	\$ 119,557
License and Permits			44,658	
Intergovernmental	2,867		26,696	96,772
Charges for Services			38,585	22,200
Miscellaneous Revenues			2,256	314
Total Revenues	<u>2,867</u>	<u>1,329</u>	<u>130,246</u>	<u>238,843</u>
EXPENDITURES				
Protection to Persons and Property	1,496	1,037		173,769
General Health and Sanitation			161,223	
Debt Service			119,935	13,246
Capital Projects			123,851	
Administration			30,799	41,316
Total Expenditures	<u>1,496</u>	<u>1,037</u>	<u>435,808</u>	<u>228,331</u>
Excess (Deficiency) of Revenues				
Expenditures Before Other				
Financing Sources (Uses)	<u>1,371</u>	<u>292</u>	<u>(305,562)</u>	<u>10,512</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds			123,851	
Transfers From Other Funds			87,500	4,000
Total Other Financing Sources (Uses)			<u>211,351</u>	<u>4,000</u>
Special Items				
Proceeds From Sale Of Assets				
Held For Resale			104,550	
Total Special Items			<u>104,550</u>	
Net Change in Fund Balances	1,371	292	10,339	14,512
Fund Balances - Beginning	7,332	2,403	2,545	7,326
Fund Balances - Ending	<u>\$ 8,703</u>	<u>\$ 2,695</u>	<u>\$ 12,884</u>	<u>\$ 21,838</u>

The accompanying notes are an integral part of the financial statements

TODD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Emergency Operations Center Construction Fund	Clifty School Park Project Fund	Total Non-Major Governmental Funds
\$	\$	\$
		138,937
		44,658
		126,335
		60,785
		2,570
		373,285
		176,302
		161,223
		133,181
	110	123,961
7		72,122
7	110	666,789
(7)	(110)	(293,504)
		123,851
		91,500
		215,351
		104,550
		104,550
(7)	(110)	26,397
7	110	19,723
\$	\$	\$
		46,120

The accompanying notes are an integral part of the financial statements

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Arthur W. Green, Todd County Judge/Executive
Members of the Todd County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 21, 2009. Todd County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Todd County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Todd County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Todd County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting:

- The Fiscal Court Lacks An Adequate Segregation Of Duties

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Todd County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that is required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

October 21, 2009

**TODD COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2009

**TODD COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2009

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

The Fiscal Court Lacks An Adequate Segregation Of Duties

The County has a lack of segregation of duties. The County Treasurer receives, records, and deposits all funds. She also prepares the bank reconciliations. In addition, the County Treasurer handles occupational tax. The Finance Officer submits invoices to the fiscal court for approval and prepares the checks. No documented compensating controls exist.

We recommend the following segregation of duties or compensating controls be implemented to offset this internal control weakness:

- An independent person should list all receipts and agree them back to the treasurer's receipt ledger.
- An independent person should open bank statements and review them for unusual items.
- The independent person should then sign off on the bank statement to verify completion.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy.
- The independent person should then sign off on the bank reconciliations to verify completion.
- An independent person should compare fiscal court order approvals to invoices and checks prior to payment.

County Judge/Executive Arthur Green's Response: No Response.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

TODD COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

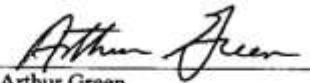
Appendix A

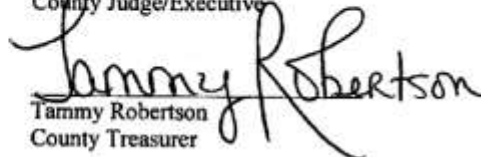
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

TODD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Todd County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Arthur Green
County Judge/Executive


Tammy Robertson
County Treasurer

